



County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

September 29, 2008

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YVONNE B. BURKE
Second District

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Third District

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Fourth District

MICHAEL D. ANTONOVICH
Fifth District

To: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to be "WTF", followed by a stylized flourish.

WASHINGTON, D.C. UPDATE

Continuing Resolution

On Saturday, September 27, 2008, the Senate passed, 78 to 12, H.R. 2638, the Continuing Resolution (CR), which temporarily funds most Federal programs and activities at current levels through March 6, 2009. This funding extension is necessary because none of the 12 Federal Fiscal Year (FFY) 2009 appropriations bills, which fund discretionary programs and activities have been enacted. The bill now goes to the President, who is expected to sign it into law before FFY 2009 begins on Wednesday, October 1, 2008.

As indicated in the previous Washington, D.C. update, the CR also includes full-year funding for Defense, Military Construction/Veterans Affairs (VA), and Homeland Security programs, including the following FFY 2009 funding levels for homeland security grant programs of County interest:

- \$890 million for the State Homeland Security Grant (same as FFY 2008);
- \$837.5 million for the Urban Area Security Initiative Grant (\$17.5 million increase);
- \$315 million for the Emergency Management Performance Grant (same as FFY 2008);

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- \$565 million for the Firefighting Grant (\$5 million increase);
- \$210 million for the Staffing for Adequate Fire and Emergency Response Program (\$30 million increase);
- \$50 million for the Interoperable Communications Grant (same as FFY 2008);
- \$32.5 million for Urban Search and Rescue Teams (\$7.5 million increase); and
- \$600,000 in earmarked pre-disaster hazard mitigation funds for the County's Fire Department to purchase a vegetation masticator, which is heavy machinery used to remove vegetation to reduce fire hazards.

In addition, the CR included \$5.1 billion for the Low Income Energy Assistance Program (LIHEAP), a new \$25 billion loan program for domestic automakers, and \$22.9 billion for disaster relief, including \$910 million for wildfire management and suppression efforts. However, it did not include language to extend the moratorium on offshore oil drilling, which had been included in annual appropriations bills since 1982.

Stimulus Package

On September 26, 2008, the House passed, 264 to 158, its \$60.8 billion stimulus package (H.R. 7110), which included a temporary Federal Medicaid match rate increase, extended unemployment insurance benefits, increased Food Stamp benefits, and more funding for highway infrastructure projects, mass transit, public housing repair and construction, and Dislocated Worker and Youth Employment programs. On the same day, however, a \$56.2 billion Senate Democratic stimulus package, which also included a Medicaid match rate increase, was blocked on a procedural vote, falling eight votes short of the 60 votes required to move the bill. The President has threatened to veto both versions, and the Senate does not plan again on the stimulus package before it recesses this year.

Neighborhood Stabilization Program (NSP) Allocations

On September 26, 2008, the Department of Housing and Urban Development (HUD) announced the allocation of \$3.92 billion in one-time Neighborhood Stabilization Program (NSP) grants to state and local governments for the redevelopment of abandoned and foreclosed homes. This program was established under the American Housing Rescue and Foreclosure Prevention Act of 2008 (H.R. 3221), which was enacted on July 30, 2008. Grants are being allocated directly to heavily impacted county and city governments as well as to state governments.

A combined total of \$529.6 million in NSP funding is allocated to California, including approximately \$145.07 million to the State and \$75.97 million to local governments in Los Angeles County. The County will receive \$16.85 million while six cities (Compton, Lancaster, Long Beach, Los Angeles, Palmdale, and Pomona) in the County will receive a combined total of \$59.12 million. Only Florida, which will receive \$541.36 million, will receive more funding than California. There are 23 states which will receive the statutory small state minimum allocation of \$19.6 million.

H.R. 3221 required HUD to establish a formula to allocate funds to state and local governments with the greatest need, based on the number and percentage of home foreclosures, subprime mortgage loans, and homes in default or delinquency. The bill gave HUD the discretion to determine how much importance would be assigned to each allocation factor and which data sources would be provided to measure each factor. In announcing the NSP allocations, HUD did not release detailed information on the allocation formula that is used, but it did list the data sources and its measures of the foreclosure rate and abandonment risk for each grant recipient.

As expected, HUD did not use privately collected data on home foreclosures because it believes that such data are not available for every community and are less transparent. Instead, it relied mainly on public sources, such as Home Mortgage Disclosure Act data on mortgage loans made between 2004 and 2006, Office of Federal Housing Enterprise Oversight data on home price declines, Department of Labor unemployment data, and U.S. Postal Service vacancy data to determine areas where abandonment of homes due to foreclosure is more likely. According to HUD's news release, Statewide level data on foreclosures, subprime loans, and delinquent loans collected by the Mortgage Bankers Association, was the only privately collected data used by HUD.

California and local jurisdictions within the State received significantly less funding than it would have received if HUD had used data on foreclosures, subprime loans, and delinquent loans collected by private firms, such as Realty Trac and Loan Performance. For example, according to RealtyTrac data, in the second quarter of 2008, California had 93,166 (85 percent) more foreclosure filings and a higher foreclosure rate than Florida. Yet, Florida received roughly \$12 million more NSP funding than California.

The California Congressional delegation is displeased with the allocation amounts for State and local jurisdictions in California. Senators Feinstein and Boxer already have expressed their disappointment with the funding allocations to HUD Secretary Preston. The California House delegation also is circulating a sign-on letter to the HUD Secretary expressing "extreme dissatisfaction" with HUD's allocations to California and demanding that funds not be distributed until HUD revises its allocation methodology. It is highly unlikely that HUD would revise its allocation methodology after it has announced program allocations. This office, the County's Washington, D.C. advocates, and the Community Development Commission will work with our Congressional delegation to try

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to ascertain exactly how HUD determined NSP allotments for each State and local jurisdiction.

We will continue to keep you advised.

WTF:GK
MAL:MT:lm

c: All Department Heads
Legislative Strategist